

No. 19893

**UNITED STATES OF AMERICA
and
INDONESIA**

**Project Grant Agreement for rural electrification (with
annex). Signed at Jakarta on 30 March 1978**

Authentic text: English.

Registered by the United States of America on 10 June 1981.

**ÉTATS-UNIS D'AMÉRIQUE
et
INDONÉSIE**

**Accord de don relatif à un projet d'électrification rurale
(avec annexe). Signé à Jakarta le 30 mars 1978**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 10 juin 1981.

**PROJECT GRANT AGREEMENT¹ BETWEEN THE REPUBLIC OF
INDONESIA AND THE UNITED STATES OF AMERICA FOR
RURAL ELECTRIFICATION**

Dated: March 30, 1978

Project Number 497-0267

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PROJECT GRANT AGREEMENT dated March 30, 1978, between [the] GOVERNMENT OF INDONESIA and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article 1. THE AGREEMENT

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

¹ Came into force on 30 March 1978 by signature.

² Not printed herein. For the text of the annex, see "Project Grant Agreement between the United States of America and Haiti relating to health services. Signed at Port-au-Prince on 30 August 1977" in the United Nations, *Treaty Series*, vol. 1229, p. 287.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in Annex 1, will consist of:

- (a) An Architectural and Engineering (A&E) consulting team that will assist the GOI in designing a rural electrification system for Central Java and several outer island locations; determine specifications for and procure necessary equipment and materials; and supervise construction and installation;
- (b) An Operations, Maintenance and Training (OMT) advisory team from the National Rural Electric Cooperative Association (U.S.) to assist the GOI in rural electrification system organization, planning, operations personnel training and a productive usage program in the Rural Electric System Service Areas.

Annex 1, attached which forms a part of this Agreement, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.3, without formal amendment of this Agreement.

Section 2.2. INCREMENTAL NATURE OF PROJECT. (a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1. of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3. FINANCING

Section 3.1. THE GRANT. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed three million United States ("U.S.") Dollars (\$3,000,000) ("Grant"). This Agreement may be amended subject to the availability of funds to provide additional grant financing of three million United States Dollars (\$3,000,000) in support of the financial plan set forth in Annex 1.

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

Section 3.2. GRANTEE RESOURCES FOR THE PROJECT. (a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner. The Government of Indonesia agrees that its contribution will be provided on a timely basis.

(b) The resources provided by Grantee for the Project will be not less than the equivalent of one million nine hundred thousand United States Dollars (\$1,900,000), including costs borne on an "in-kind" basis.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The "Project Assistance Completion Date" (PACD), which is March 30, 1983, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 4.1. FIRST DISBURSEMENT. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D. evidence that an appropriate monitoring mechanism has been established to monitor the Rural Electric Cooperatives.

Section 4.2. NOTIFICATION. When A.I.D. has determined that the condition precedent specified in Section 4.1 has been met, it will promptly notify the Grantee.

Section 4.3. TERMINAL DATES FOR CONDITIONS PRECEDENT. (a) If the condition specified in Section 4.1 has not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5. SPECIAL COVENANTS

Section 5.1. PROJECT EVALUATION. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project at one or more points thereafter:

- (a) Evaluation of progress toward attainment of the objectives of the Project;
- (b) Identification and evaluation of problem areas [or] constraints which may inhibit such attainment;
- (c) Assessment of how such information may be used to help overcome such problems; and
- (d) Evaluation, to the degree feasible, of the overall development impact of the Project.

Article 6. PROCUREMENT SOURCE

Section 6.1. FOREIGN EXCHANGE COSTS. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b), with respect to marine insurance.

Section 6.2. LOCAL CURRENCY COSTS. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Indonesia.

Article 7. DISBURSEMENT

Section 7.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS. (a) After satisfaction of the condition precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

- (1) By submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or,
- (2) By requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2. DISBURSEMENT FOR LOCAL CURRENCY COSTS. (a) After satisfaction of the condition precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) These disbursements may be made by A.I.D. at A.I.D.'s option:

- (1) In U.S. dollars equivalent to the local currency cost, or
- (2) In local currency acquired by A.I.D. by purchase or from local currency already owned by the U.S. Government.

Section 7.3. OTHER FORMS OF DISBURSEMENT. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 7.4. RATE OF EXCHANGE. If funds provided under the Grant are introduced into Indonesia by A.I.D. or any public or private agency for purposes

of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Indonesia at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia.

Article 8. MISCELLANEOUS

Section 8.1. COMMUNICATIONS. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

Mr. Ely Soengkono
Secretary General
Ministry of Public Works and Electric Power
Jl. Pattimura No. 20
Kebayoran Baru, Jakarta, Indonesia

Mr. Chairul Basri
Secretary General
Ministry of Manpower, Transmigration and Cooperatives
Jl. H. Agus Salim No. 58
Jakarta, Indonesia

Mr. Thomas C. Niblock
Director
U.S. Agency for International Development
American Embassy
Jl. Medan Merdeka Selatan No. 5
Jakarta, Indonesia

Section 8.2. REPRESENTATIVES. For all purposes relevant to this Agreement, the Grantee will be represented by the individuals holding or acting in the office of President Director of the Perusahaan Umum Listrik Negara (PLN) and the Director General of Cooperatives and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, USAID Mission to Indonesia, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instruments signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 8.3. STANDARD PROVISIONS ANNEX. A "Project Grant Standard Provisions Annex" (Annex 2)¹ is attached to and forms part of this Agreement.

¹ See footnote 2 on p. 162 of this volume.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative(s), have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

The Republic of Indonesia:

Ministry of Public Works
and Electric Power

[Signed]

By: ELY SOENGGONO
Secretary General

Ministry of Manpower, Transmigration
and Cooperatives

[Signed]

By: CHAIRUL BASRI
Secretary General

United States Agency for International Development:

[Signed]

By: THOMAS C. NIBLOCK
Director

ANNEX 1

AMPLIFIED DESCRIPTION OF RURAL ELECTRIFICATION PROJECT

1. *Purpose*

To design, install and begin operations of approximately ten rural electrification systems, seven to be in Central Java under PLN and three to be in the Outer Island Provinces of Lampung, Luwu and East Lombok owned by Rural Electric Cooperatives.

2. *Targets*

The Project will assist development of the organizations and institutions necessary for a nationwide rural electrification program. It is intended to demonstrate that reliable electric power can be provided to the rural areas of Indonesia at a price which the majority of people can afford. Recipients of the electricity from the systems in this Project are expected to be over half of the families in the areas serviced. The ultimate target of this Project is an improved standard of living and increased productivity of the rural population in the ten service areas and later of the entire nation.

3. *Project Management*

The PLN systems will be managed by Proyek Induk Jaringan Jawa Tengah. The Cooperative system will be managed by the Project Development Office (PDO) to be formed within the Directorate General of Cooperatives and by the Cooperative staffs and supervised by the Supervisory Group to be formed with the representatives of the involved GOI agencies. Technical assistance in management, cooperative organization and training will be provided by the Organization, Management and Technical (OMT) team to be financed

under the AID grant and assistance in engineering procurement and construction supervision will be provided by the Architectural and Engineering (A&E) team also financed under the AID grant.

4. *Project Duration*

March 30, 1978 to March 30, 1983.

5. *Financing*

The A.I.D. loan of \$30 million will finance the foreign exchange costs and part of the local costs of the distribution systems and house wiring. The A.I.D. grant of \$6 million, of which \$3 million will be funded in FY 78 and the remainder in subsequent years will finance the technical assistance services of the OMT and A&E teams in addition to part of the costs of training and evaluation of the Project. The costs of a productive uses program will also be covered under the A.I.D. Grant. The foreign exchange costs of generators for the three cooperative projects will be paid from loans and grants from other donors. However, it is understood and agreed by the Parties that in event the costs of generators for the three cooperative projects should not be provided from other donors on a timely basis for Project Implementation: (1) the Government of Indonesia will not be obligated under Section 3.2(a) or any other provision of the Loan Agreement to provide funds or other resources for the costs of said generators; and (2) the project shall be modified in order to fit the financing of the generators within available funds in the Loan Agreement. In the event a re-scoping of the project should become necessary, each cooperative or PLN system financed as a part of the revised project would be a viable unit. The local costs of all the above will be paid partly from G.O.I. budget funds to PLN and DGC and partly from local currency loans to the cooperatives through the Indonesian banking system. The estimated financial plan is attached. The plan is approximate and revisions of up to 25 percent in any line item can be made without formal revision.

6. *Implementation*

Implementation will be through the two G.O.I. agencies PLN and DGC as described above. A Grant Agreement will be executed between PLN and DGC on the G.O.I. side and A.I.D. on the U.S. side. Contracting for the OMT and A&E will be direct with A.I.D. Procurement under the A.I.D. Loan will be by letter of credit or direct reimbursement.

FINANCIAL PLAN—GRANT FUNDS

(\$1000)

	<i>Funding this Agreement</i>		<i>Funding future* amendment</i>		<i>Total planned</i>
	<i>PLN</i>	<i>DGC</i>	<i>PLN</i>	<i>DGC</i>	
A. A&E team	750	900	650	950	3,250
B. OMT team	300	700	300	800	2,100
C. Productive uses advisors ..	150	100	150	100	500
D. Training	40	40	10	10	100
E. Evaluation	10	10	15	15	50
TOTALS	1,250	1,750	1,125	1,875	6,000

* Note: Prorated funds between PLN and DGC are estimates based on expected advisor manpower allotments between the two agencies.

FINANCIAL PLAN—GOI BUDGET SUPPORT FUNDS

(US dollar equivalent)

	<i>PLN budget</i>	<i>DGC budget</i>	<i>Total</i>
A. Support for A&E team	\$265,000	\$121,000	\$386,000
Indonesian subcontractor costs	—	861,000	861,000
B. Support for OMT team	68,000	101,000	169,000
C. Support for productive uses advisors	52,000	32,000	84,000
D. Training	150,000	150,000	300,000
E. Evaluation	50,000	50,000	100,000
TOTALS	\$585,000	\$1,315,000	\$1,900,000